

# FY 2007-08 BUDGET

## BUDGET SECTION SUMMARY

Section Title:

OCCIDENTAL COUNTY SANITATION DISTRICT

### A. Program Description

This budget finances operation, maintenance, and administration of a collection system, a treatment plant, and disposal facilities which serve the Occidental area.

### B. Financial Summary

Section	GROSS EXPENDITURES			NET COST/USE OF FUND BALANCE		
	FY 06-07 Adopted	FY 07-08 Requested	Percent Change	FY 06-07 Adopted	FY 07-08 Requested	Percent Change
Operations	\$338,673	\$401,200	18.46%	\$48,068	\$88,993	85.14%
Bonds #2	195	147	(24.62%)	(1,115)	(1,187)	6.43%
Construction	1,894,202	160,000	(91.55%)	1,092,602	160,000	(85.36%)
<b>TOTAL:</b>	<b>\$2,233,070</b>	<b>\$561,347</b>	<b>(74.86%)</b>	<b>\$1,139,555</b>	<b>\$247,806</b>	<b>(78.25%)</b>

No staffing is allocated to this index.

### D. Workload Summary

Workload Indicator	FY 05-06 Actual	FY 06-07 Budget Estimate	FY 06-07 Revised Estimate	FY 07-08 Projected	Change from FY 06-07 Budget Estimate
Total ESDs	263	266	266	266	0.00%
Total APNs	98	100	100	100	0.00%

### E. Summary of Issues and Significant Changes

The requested rate per ESD for FY 07-08 annual service charges is \$1,189, representing a 6.5% increase from FY 06-07. Annual sewer service charge revenue, adjusted for the anticipated number of ESDs and an estimated delinquency factor, is projected to increase from the FY 06-07 budget. This revenue change is due to the rate increase.

The Occidental County Sanitation District (Occidental CSD) treatment plant is designed to treat an average daily dry weather flow of up to 50,000 gallons per day to secondary treatment standards. Each year, between October 1 and May 14, treated wastewater from the Occidental CSD is discharged into Dutch Bill Creek. During the balance of the year, treated wastewater is used for irrigation.

***The Occidental County Sanitation District is facing very serious financial and operational difficulties.*** The treatment plant is in a critical state of disrepair; however, operating revenue and the Occidental CSD's fund balance is inadequate to support required maintenance, repair, or facility improvements. Without near term improvement of the facilities and treatment processes, the Occidental CSD's ability to comply with the conditions of its operating permit remains in doubt.

During FY 97-98, the Occidental CSD was faced with a Civil Lawsuit under the Clean Water Act and Administrative Civil Liability (Order No. 97-75) was officially adopted by the North Coast Regional Water Quality Control Board (Regional Board) in August of 1997 as a result of violations. Increased requirements, as a result of this order, for sampling and chemical usage, as well as substantial legal fees for multiple lawsuits, have impacted the Occidental CSD's operational expenses.

In addition to the requirements specified above, Cease and Desist Order No. 97-74 and Time Schedule Order 97-75 required Occidental CSD and Sonoma County Water Agency (SCWA) to address violations at the treatment facility. In response to the orders, two options to upgrade the treatment and reclamation facilities were evaluated, but later abandoned. Based in input from the Regional Board and from the Occidental community, it was determined that a project that addressed the sanitation needs of both Camp Meeker and Occidental represented the best alternative. In February 2002, the Final Environmental Impact Report (EIR) for a joint Camp Meeker and Occidental CSD project was issued.

Cease an Desist Order No. R1-2003-0020 and time Schedule Order No. R1-2003-0021 were issued in March 2003 and required completion of the project outlined in the EIR in four phases with specific deadlines. Phase I, selecting a governance structure for the new district and submitting a report of waste discharge, was completed by the December 31, 2003 deadline. Phase II included upgrading the existing wastewater treatment plant to tertiary standards and increase the capacity to handle flows from Occidental and Camp Meeker. When Phase II was in the early stages of design, it was determined that the cost of upgrading the treatment plant would be too expensive for the community to afford. The Occidental CSD went back to the Regional Board seeking an extension to the deadlines in order to study further alternatives.

The Regional Board in Cease and Desist Order No. R1-2005-0085 and Time Schedule Order No. R1-2005-0086 extended the delaines for completion and interim project and a Capital Improvement Project (CIP) to solve Occidental CSD's regulatory issues. The interim project ( an upgrade to the collection system) must be completed by December 1, 2007. The CIP, a project to resolve issues at the treatment plant, must be completed by June 30, 2010. There are several interim deadlines related to the completion of an environmental document. Without significant amounts of state and federal funding, construction of the CIP project may be infeasible. This has yet to be determined.

Estimated FY 07-08 revenues do not adequately provide the funding necessary for adequate operation and maintenance at this district because of the small rate base. In the current year, and in recently completed years, the Occidental CSD has had insufficient funds to cover ongoing operational expenses. Charges have been transferred to the Agency's General Fund and have not been recovered from the Occidental CSD.

**F. Summary of Reduction Options**

No reduction options are proposed.

**G. Attachments**

- Summary of Revenues and Expenditures
- Character Justification
- Statement of Special Fund Activity

# FY 2007-08 BUDGET

## SUMMARY OF REVENUES AND EXPENDITURES

**Section Title:** OCCIDENTAL CSD - OPERATIONS

**Section/Index No:** 651109

Sub-Object No. and Title	Adopted 2006-07	Requested 2007-08	Difference	Percent Change
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### ***REVENUES:***

#### **TAXES**

1001 Flat Charges - CY	\$268,761	\$286,341	\$17,580	6.54%
1061 Flat Charges - PY	500	800	300	60.00%
1120 Penalties / Costs on Taxes	100	100	0	0.00%

<b>Subtotal Taxes</b>	<b>\$269,361</b>	<b>\$287,241</b>	<b>\$17,880</b>	<b>6.64%</b>
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#### **USE OF MONEY**

1700 Interest on Pooled Cash	\$40	\$2,375	\$2,335	5837.50%
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<b>Subtotal Use of Money</b>	<b>\$40</b>	<b>\$2,375</b>	<b>\$2,335</b>	<b>5837.50%</b>
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#### **CHARGES FOR SERVICES**

3400 Sanitation Services	\$21,204	\$22,591	\$1,387	6.54%
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<b>Subtotal Charges for Services</b>	<b>\$21,204</b>	<b>\$22,591</b>	<b>\$1,387</b>	<b>6.54%</b>
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<b>TOTAL REVENUES</b>	<b>\$290,605</b>	<b>\$312,207</b>	<b>\$21,602</b>	<b>7.43%</b>
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### ***EXPENDITURES:***

#### **SERVICES AND SUPPLIES**

6040 Communications	\$1,000	\$500	(\$500)	(50.00%)
6140 Maintenance - Equipment	0	10,000	10,000	N/A
6180 Maintenance - Bldgs / Impr	8,000	0	(8,000)	(100.00%)
6262 Lab Supplies	500	1,000	500	100.00%
6512 Testing/Analysis	0	18,000	18,000	N/A
6522 District Services	206,000	2,000	(204,000)	(99.03%)
6523 District Operations	0	193,000	193,000	N/A
6573 Administration Costs	2,000	2,200	200	10.00%
6610 Legal Services	8,000	1,000	(7,000)	(87.50%)
6629 Fiscal Accounting Services	0	2,500	2,500	N/A
6630 Audit / Accounting Services	2,173	2,000	(173)	(7.96%)
7206 Equipment Usage Charges	0	22,000	22,000	N/A
7212 Chemicals	35,000	40,000	5,000	14.29%
7217 State Permits / Fees	8,000	2,000	(6,000)	(75.00%)
7320 Utilities	18,000	15,000	(3,000)	(16.67%)

<b>Subtotal Services and Supplies</b>	<b>\$288,673</b>	<b>\$311,200</b>	<b>\$22,527</b>	<b>7.80%</b>
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Sub-Object No. and Title	Adopted 2006-07	Requested 2007-08	Difference	Percent Change
<b><u>OTHER CHARGES</u></b>				
7980 Depreciation	\$48,000	\$88,000	\$40,000	83.33%
<b><i>Subtotal Other Charges</i></b>	<b>\$48,000</b>	<b>\$88,000</b>	<b>\$40,000</b>	<b>83.33%</b>
<b><u>APPROPRIATIONS FOR CONT</u></b>				
9000 Approp for Contingencies	\$2,000	\$2,000	\$0	0.00%
<b><i>Subtotal Approp for Contingencies</i></b>	<b>\$2,000</b>	<b>\$2,000</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$338,673</b>	<b>\$401,200</b>	<b>\$62,527</b>	<b>18.46%</b>
<b>TOTAL NET COST</b>	<b>\$48,068</b>	<b>\$88,993</b>	<b>\$40,925</b>	<b>85.14%</b>
<i>(Expenditures Minus Revenues)</i>				

**FY 2007-08 BUDGET**  
**CHARACTER JUSTIFICATION**

**Department - Division:** Sonoma County Water Agency - Sanitation

**Section Title:** Occidental CSD - Operations

**Character Title:** Taxes

**Character No.:** 651109-10

**1001 Flat Charges - CY**

Flat charge revenue from annual service charges is expected to increase from the adopted FY 06-07 budget. The rate will increase 6.5% from \$1,116 to \$1,189.

ESDs times annual rate:	247 x \$1,189	\$293,683
Less Estimated Delinquency Factor:	2.5%	(7,342)
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		\$286,341

(See SubObject 3400 for Total ESDs)

**1061 Flat Charges - PY**

This item records the estimated delinquent amount of prior years sewer service charges.

**1120 Penalties / Costs on Taxes**

This item records penalties paid on delinquent sewer service charges.

**Character Title:** Use of Money

**Character No.:** 651109-17

**1700 Interest on Pooled Cash**

This account records interest on pooled cash held for the District by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$50,000
Projected Interest Rate	4.75%
Projected/Planned Interest on Pooled Cash	<hr/>
	\$2,375

**Character Title:** Charges for Services

**Character No.:** 651109-30

**3400 Sanitation Services**

This account records annual sewer service charges for entities that are invoiced, rather than collected as flat charges on the tax roll, and for new hook-ups as they occur during the year. The Sanitation Rate Ordinance requires that charges be collected at the time permits are issued. The properties are then added to the tax roll master listing and collected through sub-object 1001, Flat Charges, in the following year.

Based on projected FY 07-08 ESDs, the District will experience an increase in revenue from invoiced entities. The budgeted revenue reflects an increase in the annual sewer service charge from \$1,116 to \$1,189.

ESDs x Annual Charge	19 x \$1,189	=	\$22,591
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**6040 Communications**

This account records expenses paid by the District for outside communication and wireless services

**6140 Maintenance - Equipment**

This account records the costs for routine maintenance of equipment.

**6180 Maintenance - Bldgs / Impr**

This account records the cost of parts and materials required to maintain the treatment plant and collection system. No funds will be budgeted for FY 07-08.

**6262 Laboratory Supplies**

This account records the cost of lab supplies required for testing and monitoring wastewater.

**6512 Testing and Analysis**

This account records expenses incurred to comply with all regulatory testing requirements.

**6522 District Services**

This account records the service and supply type items associated with operations and maintenance of the District's facilities.

**6523 District Operations**

This account records the cost of labor and overhead associated with operations and maintenance of the District's facilities. This new account number is being set-up to isolate internal labor activities.

**6573 Administration Costs**

This account represents the 3% administration fee assessed by the County for processing collection of flat charges on the tax roll.

**6610 Legal Services**

This item is requested to provide funds for the estimated cost of legal services to be provided by County Counsel, or outside legal services, as required. Due to the uncertainty of continuing ACL related issues, the amount required in this account is extremely difficult to predict.

**6629 Fiscal Accounting Services**

This item records the direct charge for services provided by the Fiscal Services Section of the County Auditor Controller's Office for staff costs attributed to District's accounting.

**6630 Audit / Accounting Services**

This account represents the cost of accounting and audit services provided by an outside certified public accounting service.

**7206 Equipment Usage Charges**

This item is requested to provide funds for equipment usage.

**Character Title:**                      **Services and Supplies (Continued)**                      **Character No.:**                      **651109-60**

**7212 Chemicals**

This account records the cost of chemicals required for operation of the treatment plant. The requested amount is considered necessary to meet the discharge requirements of the District's NPDES permit, as required by the State Water Quality Control Board, as well as to meet requirements imposed by the ACL (including the use of sodium bisulfite and caustic soda).

**7217 State Permits / Fees**

This account records the cost of District permits related to NPDES, as mandated by the Regional Water Quality Control Board.

**7320 Utilities**

This account records the cost of utilities such as gas, electricity, and water.

**Character Title:**                      **Other Charges**                      **Character No.:**                      **651109-75**

**7980 Depreciation**

Generally Accepted Accounting Principles require that depreciation be expensed each year.

**Character Title:**                      **Appropriations for Contingencies**                      **Character No.:**                      **651109-90**

**9000 Appropriations for Contingencies**

This account is normally used to set aside funding for unanticipated expenditures or revenue shortfalls.

**FY 2007-08 BUDGET**  
**STATEMENT OF SPECIAL FUND ACTIVITY**

**Department:** Sonoma County Water Agency - Sanitation  
**Section:** Occidental CSD - Operations  
**Index No.:** 651109

DESCRIPTION OF FUND ACTIVITY	Actual FY 05-06	Estimated FY 06-07	Requested FY 07-08
<b>Undesignated/Unreserved <u>BEGINNING</u> Retained Earnings Available for Budgeting</b> (See Detailed Components Below)	<b>\$30,971</b>	<b>\$105,745</b>	<b>\$122,173</b>
<b>Annual Revenues and Expenditures:</b>			
Revenues - Increase retained earnings	483,997	373,231	312,207
Expenditures - (Decrease) retained earnings	(456,103)	(402,600)	(401,200)
<b>Net Surplus or Deficit</b> - Inc/(Dec) to retained earnings	27,894	(29,369)	(88,993)
<b>Adjustments to Reserves/Encumbrances:</b>			
7980 Depreciation	45,547	45,797	88,000
Post Audit Adjustment Payables	(298)	-	-
Post Audit Adjustment Prepaid Expense	1,630	-	-
<b>Net Adjustment</b> - Increase/(Decrease) to Retained Earnings	46,879	45,797	88,000
<b>Undesignated/Unreserved <u>ENDING</u> Retained Earnings Available for Budgeting</b>	<b>\$105,745</b>	<b>\$122,173</b>	<b>\$121,180</b>
<b>Total Increase/(Decrease) in Retained Earnings for Fiscal Year</b> (Difference between Beginning and Ending Balance)	<b>\$74,774</b>	<b>\$16,428</b>	<b>(\$993)</b>
<b><u>Retained Earnings Components at Beginning of FY</u></b>	<b>7/1/05</b>	<b>7/1/06</b>	
Cash	\$32,575	\$103,162	
Other Receivables	2,440	2,574	
Prepaid Expense	-	2,296	
Accounts Payable	(3,843)	(298)	
Due to Other Funds	-	-	
Other Current Liabilities	-	-	
Vouchers Payable	(201)	(1,989)	
<b>Total Beginning Retained Earnings</b>	<b>\$30,971</b>	<b>\$105,745</b>	



# FY 2007-08 BUDGET

## SUMMARY OF REVENUES AND EXPENDITURES

Section Title: OCCIDENTAL CSD - BONDS #2

Section/Index No: 651224

Sub-Object No. and Title	Adopted 2006-07	Requested 2007-08	Difference	Percent Change
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### REVENUES:

#### TAXES

1000 Prop Taxes - CY Secured	\$1,310	\$1,310	\$0	0.00%
<b>Subtotal Taxes</b>	<b>\$1,310</b>	<b>\$1,310</b>	<b>\$0</b>	<b>0.00%</b>

#### USE OF MONEY

1700 Interest on Pooled Cash	\$0	\$24	\$24	N/A
<b>Subtotal Use of Money</b>	<b>\$0</b>	<b>\$24</b>	<b>\$24</b>	<b>N/A</b>

<b>TOTAL REVENUES</b>	<b>\$1,310</b>	<b>\$1,334</b>	<b>\$24</b>	<b>1.81%</b>
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### EXPENDITURES:

#### SERVICES AND SUPPLIES

6635 Fiscal Agent Fees	\$52	\$52	\$0	0.00%
<b>Subtotal Services and Supplies</b>	<b>\$52</b>	<b>\$52</b>	<b>\$0</b>	<b>0.00%</b>

#### OTHER CHARGES

7920 Interest	\$143	\$95	(\$48)	(33.57%)
<b>Subtotal Other Charges</b>	<b>\$143</b>	<b>\$95</b>	<b>(\$48)</b>	<b>(33.57%)</b>

#### ADMINISTRATIVE CONTROL ACCOUNT

9200 Ent - Principal	\$1,000	\$1,000	\$0	0.00%
9209 Ent - Principal Clearing	(1,000)	(1,000)	0	0.00%
<b>Subtotal Administrative Control</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>

<b>TOTAL EXPENDITURES</b>	<b>\$195</b>	<b>\$147</b>	<b>(\$48)</b>	<b>(24.62%)</b>
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<b>TOTAL NET COST</b>	<b>(\$1,115)</b>	<b>(\$1,187)</b>	<b>(\$72)</b>	<b>6.43%</b>
<i>(Expenditures Minus Revenues)</i>				

# FY 2007-08 BUDGET

## CHARACTER JUSTIFICATION

**Department - Division:** Sonoma County Water Agency - Sanitation

**Section Title:** Occidental CSD - Bonds #2

**Character Title:** Taxes

**Character No.:** 651224-10

### **1000 Prop Taxes - CY Secured**

The Auditor-Controller establishes a tax rate sufficient to accumulate tax revenues necessary to make bond payments of interest and principal. The bonds were passed to fund construction of sewage facilities.

**Note:**

The FY 07-08 bond payment amount (principal and interest) is \$1,095. A total budget of \$52 is requested to cover Fiscal Agent Fees; therefore, total expenses are not expected to exceed \$1,147. To avoid major fluctuations in the tax rate from year to year, the tax amount budgeted and/or collected each year may not correspond exactly to the annual bond payment (P&I). Over or under collection in any single year (when compared to the bond payment for that year) merely increases or decreases the fund balance retained in this index. The Auditor's long term tax rate calculations are designed to ensure that debt service obligations are met, while retaining an appropriate level of fund balance, and minimizing unnecessary tax rate fluctuations.

**Character Title:** Use of Money

**Character No.:** 651224-17

### **1700 Interest on Pooled Cash**

This account records interest on pooled cash held for the District by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$500
Projected Interest Rate	<u>4.75%</u>
Projected/Planned Interest on Pooled Cash	\$24

**Character Title:** Services and Supplies

**Character No.:** 651224-60

### **6635 Fiscal Agent Fees**

This account records fees collected by the County Treasurer for acting as the fiscal agent.

**Character Title:** Other Charges

**Character No.:** 651224-75

### **7920 Interest**

This account reflects the interest expense on the outstanding general obligation bonds. The interest rate was established at 5% on \$4,000 of the bonds and 4¾% on \$28,000 of the bonds. Payments began January 1, 1970 and will continue semi-annually until January 1, 2009. The FY 07-08 request is based on the bond amortization schedule prepared at the time the bonds were sold.

**9200 Ent - Principal**

This account reflects the principal expense for general obligation bonds that were issued in 1969 to finance the local share of a wastewater collection system. Payments on the bonds will continue until January 1, 2009. The FY 07-08 request is based on the bond amortization schedule prepared at the time the bonds were sold.

The following reflects the bond principal payment history to date:

Original Amount of the General Obligation Bond Issue:	\$32,000
Total FY 77-78 through FY 05-06 Principal Payments:	(29,000)
FY 06-07 Principal Payment:	<u>(1,000)</u>
Outstanding Bond Amount	\$2,000

**9209 Ent - Principal Clearing**

This is the clearing account for sub-object 9200, Ent - Principal.